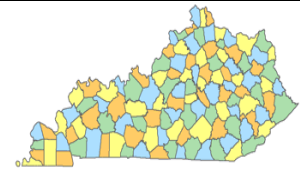




Committed to the future of rural communities

## Business and Industry Guaranteed Loan Program



### Purpose

The Business and Industry Guaranteed Loan Program provides financial assistance to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lender having such loans.

### Eligible Lenders

- Federal or State chartered bank
- Farm Credit Bank
- Bank for Cooperatives
- Savings and Loan Associations
- Mortgage Companies that is part of a bank-holding company
- Credit Unions
- National Rural Utilities Cooperative Finance Corp.
- Other non-traditional lenders will be considered based on regulatory requirements

### Applicant Eligibility

- Any legal entity, including a cooperative organization, corporations, individuals, public body and private organizations (profit or non-profit) and federally recognized Indian tribal groups, that are engaged in or proposing to engage in a business
- Citizens of the U.S. or reside in the U.S. after being legally admitted.
- At least 51% U.S. ownership or reside in the U.S. after being legally admitted.
- Located in a rural area

### Ineligible Applicants:

- Outstanding Judgment obtained by the US in a Federal Court
- Delinquent on Federal Income taxes
- Delinquent on a Federal debt
- Debarred from receiving Federal assistance.

### Eligible Purposes:

Include but are not limited to:

- Business and industrial acquisition, conversion, enlargement, repair, modernization, or development
- Purchase and develop land, easements, rights-of-way, buildings, or facilities.
- Purchase of equipment, leasehold improvements, machinery, supplies or inventory.
- Start-up costs and working capital
- Purchase of cooperative
- Aquaculture
- Commercial fishing
- Commercial nurseries engaged in production
- Forestry
- Feasibility studies
- Refinancing
- Takeout interim financing
- Fees
- Tourist and recreation facilities
- Educational or training facilities
- Community facility projects

### Ineligible Purposes:

Include but are not limited to:

- Projects that will result in transfer of jobs from one area to another and increase in direct employment by more than 50 employees.
- Charitable institutions, churches, or church-controlled or fraternal organizations.
- Assistance to Government employees and military personnel with 20% or more ownership
- Racetracks
- Businesses that derive more than 10% of revenues from gambling activity.
- Any illegal business activity
- Line-of-credit
- Guarantee of lease payments
- Owner-occupied housing
- Golf courses

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"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

### **Guaranteed Loan Amounts**

Maximum Loan - \$25,000,000

Total amount of loans guaranteed to one borrower, including outstanding principal and interest balance of any existing loans, and the new request, must not exceed \$25 million.

### **Percentage of Guarantee**

80% for loans \$5,000,000 or less

70% for loans > \$5,000,000 to \$10,000,000

60% for loans > \$10,000,000

### **Loan Terms:**

No balloon payments.

Interest rates are negotiated between the lender and the applicant and may be either fixed or a variable rate. The variable rate must be tied to a published rate. The adjustments may not be more often than quarterly.

- Real Estate – up to 30 years
- Machinery and Equipment – up to 15 years or useful life
- Working Capital loans – up to 7 years

A minimum of 10% tangible balance sheet equity is required for existing businesses. Twenty percent tangible balance sheet equity is required for new businesses.

### **Feasibility Studies:**

A comprehensive feasibility study by a qualified independent consultant will be required for start-up businesses, acquisitions or existing businesses when the project will significantly affect the borrower's operations.

### **Appraisals:**

An appraisal report prepared by an independent, qualified appraiser will be required on property that will serve as collateral. Appraisals will be made in accordance with accepted format and standards of the industry.

### **Collateral:**

All collateral must secure the entire loan. Repayment of the loan must be reasonably assured. Personal and corporate guarantees are usually required.

### **Fees:**

#### Initial Guarantee fee – 3%

- Paid by the Lender and is nonrefundable.
- Due when the Loan Note Guarantee is issued.
- May be included as an eligible loan purpose

#### Annual Renewal Fee: - .5% for 2013

- Established each year and will be published in the Federal Register
- Rate becomes effective on date of obligation and remains in effect for the life of the loan.
- Paid by the Lender
- Due on January 31<sup>st</sup>
- Based on the unpaid principal balance as of close of business on December 31 of each year. Calculated by multiplying the outstanding principal balance times the percent of guarantee times the annual renewal fee.

### **Applications**

Submitted anytime throughout the fiscal year.

### **Selection Factors**

Include but are not limited to:

- Lender Eligibility
- Borrower Eligibility
- Eligible Loan Purpose
- Assurance of Repayment Ability
- Sufficient Collateral and Equity
- Population
- Persistent poverty or natural disaster
- Empowerment Zone/Enterprise Community
- Interest Rate
- International Sales/Community presence
- Specialized or Value-Added Production
- Job Creation

## Other Considerations

- Equal employment opportunity
- Equal opportunity and nondiscrimination
- Civil rights compliance
- Environmental analysis

Applicants should consider the potential environmental impacts of their respective applications at the earliest planning stages and develop projects that minimize the potential to adversely impact the environment. USDA-Rural Development is also required to assess the environmental impact of its decision to fund a project and will require that the application provide sufficient information for the completion of such assessments.

## For More Information

Contact the USDA - Rural Development State Office in Lexington at 859-224-7435. TDD for hearing impaired (859-224-7422) or the USDA website at [www.rurdev.usda.gov](http://www.rurdev.usda.gov) or the following website for forms

[http://www.rurdev.usda.gov/BCP\\_gar.html](http://www.rurdev.usda.gov/BCP_gar.html)

